

3/1/95 JPPTYMGMT 16

(Publication page references are not available for this document.)

Danyl, a large, New Jersey-based manufacturer of stored value magnetic stripe and "smart" card systems, both of which have debit applications and credit account capabilities.

Danyl's point of entry is often the laundry room, where its distributors have existing contracts with management. Tenants use plastic cards with encoded magnetic strips to access laundry machines in what becomes a cashless environment. The cards are either prepaid or allow for usage to be tracked and billed monthly. Each card-reader machine costs approximately \$350 to install and is usually maintained and tabulated by the laundry route vendor.

Current applications of the smart card - the more sophisticated and interactive product - include laundry facilities, parking, vending machines, telephones, security, on-demand lighting for athletic facilities, and point-of-sale machinery.

The systems are operating in all types of apartment complexes, with designs flexible enough to work in public housing for one function or in high-end properties for another, according to John D. McClaughlin, Danyl's national sales manager. McClaughlin notes that the card system has been proven to increase convenience and security. It also helps reduce vandalism because the technology allows management to track usage and maintenance schedules and does not leave money in machines where it could be stolen.

However, the cards are still closed systems in the parlance of computer applications: they work within a single environment or building. Still, that environment can encompass a variety of uses. For example, Danyl has installed systems at college and university campuses that rely on a "single-platform" card: a dual magnetic stripe card system that contains photo, credit, and registration identification that utilizes readers and scanners linked to an on-line central processor on campus. These cards enable students to access prepaid funds to pay for food, books, laundry, vending, sports events, various administrative functions, parking, and fees and fines. The same card provides access to dormitories and other facilities.

"This is a different twist on a familiar amenity," says McClaughlin, "because the initial technology can lead to greater expansion of services, as it is provided in the college setting."

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Danyl believes the applications of its technology will be widespread, although the software and hardware have yet to catch up with the application ideas. But the company sees a horizon.

"When smart cards link up with the banking system," McLaughlin says, "on-line systems that work just like automatic teller machine (ATM) systems will be developed that have an open architecture to allow tenants to access all kinds of services - within and outside their apartment - through the use of a single card. It's coming."

It may well be on the way, but not everyone is convinced just yet. Insignia Management Group, AMO, based on Greenville, South Carolina, "is not planning" any major retrofitting projects for the complexes it manages through the country, says Ron Shabel, director of marketing and advertising. "We are, of course, very interested in any technology that creates a better lifestyle for tenants and improves our owners' bottom line," but Insignia is not yet prepared to make the investment.

While astute managers should approach any major changes with caution and an eye on costs, the rapid changes in technology and their applications to the real estate industry make it essential not to fall behind the competition.

RELATED ARTICLE: Smart Apartments = Smart Management

Smart apartment technology also has benefits for managers:

- * Instant credit reports can be accessed by on-site staff.
- * Voice mail between management office and units allows individual or group messages with one call.
- * Special programming permits promotion and property information to be viewed on residents' TV screens.
- * The management office can benefit from lower phone rates available to residents.

Ronald Litke is a freelance writer based in Chicago.

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RECYCLED PAPER



Citation	Search Result	Rank 137 of 171	Database
11/2/94 ATLNTAJC G1			ALLNEWS
11/2/94 Atlanta J. & Atlanta Const. G1			
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Atlanta Constitution
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Wednesday, November 2, 1994

BUSINESS

A little-known cable niche
Jonathan Ringel FOR THE JOURNAL-CONSTITUTION

Complex turf: In apartment buildings, Wometco and GCTV face competition from private companies.

During the mid-1980s, local governments granted companies such as Wometco Cable TV and Georgia Cable Television exclusive rights, or "franchises," to use public byways to provide cable service to residents.

But as the franchise cable operators raced to build systems to serve as many households as possible, they paid little attention to apartment complexes, which were more difficult and expensive to wire.

While Wometco and GCTV have since boosted their service to apartments, they have been unable to shake competition from a small band of private operators, including Wireless Cable of Atlanta and National CableSystems Associates, that also stepped in to compete for subscribers.

"Private operators are definitely our competitors," says Susan Adams, vice president for special markets at Wometco. In the eight-county area where Wometco, GCTV and other franchise companies operate, about 12 percent of apartments with cable are served by those private firms.

One of the ways they have been able to maintain their share is by offering apartment owners a portion of their revenues.

11/2/94 ATLNTAJC G1

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Wireless Cable, serving nearly 14,000 metro apartment units, offers a percentage of revenue, as does Tampa-based Maxtel Cablevision, which is connected to more than 13,000 apartments in Georgia and 80,000 units across the country.

Wometco, however, only pays franchise fees to local governments. "It's not possible for us to do that [share revenue]," Adams said. Targeted programming

Programming is another area where the private operators try to be competitive. Their channel selection is targeted to apartment dwellers with similar socioeconomic interests. For example, in a complex populated with many children, a private operator might offer more children's programming than at apartments where there are more single adults.

Franchise operators contend their larger lineup offers better value. Both competitors, however, charge about \$1 per traditional cable channel, excluding over-the-air stations, public access, and home shopping channels.

Both private operators and franchise companies in the Atlanta area have two new competitors, DirectTV and USSB, which began transmitting cable programs last week via satellite directly to homes with 18-inch satellite dishes atop their TV sets.

"I don't think it will have a major impact," said Lawrence Walz, president of Atlanta-based National CableSystems Associates, which owns National CableSystems Inc., a private cable operator that is wired to 4,700 apartment units in the metro-area.

"I think the franchise operators are more at risk," Walz said, because DirectTV is targeted for single-family homes, while private cable operators target apartment complexes. To stay ahead of the game, Wireless Cable, which went public last fall, currently is trying to expand its system, said Richard Kendrick, senior executive vice president.

Within three to four years, Kendrick said, the company hopes to have signed up more than 50,000 customers in individual homes to its wireless cable system, which beams TV signals from one central point in town to individual TVs via microwave technology.

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Eventually, Kendrick expects the expansion to reduce Wireless Cable's apartment business to about 60 percent of the company's revenue. Currently, apartment units account for 90 percent of the company's \$2.5 million in annual sales.

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Notes: Color Photo: Preparing a dish: At Howell Station
Apartments, Donald Brownfield of Wireless Cable of Atlanta inspects a
converter on a 10-foot satellite dish. / John Spink / Staff Pie
Graph: Holding their own Small private cable companies serve 12.2
percent of metro apartment units. Units served by small private
operators: 34,000 Units served by major cable TV systems: 244,000 /
Reuben Stern / Staff

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10/5/94 BUSWK (No Page)			ALLNEWS
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Business Week
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Wednesday, October 5, 1994

MCI Becomes Major Investor in Interactive Cable Systems; Private Communications Company Provides Telephone, Cable Services

LOS ANGELES--(BUSINESS WIRE)--Oct. 4, 1994--Interactive Cable Systems Inc. (ICS) today announced that MCI has made a \$30 million investment for a minority equity stake in ICS. Interactive Cable Systems is a rapidly growing leader in the private telephone and cable industry, specializing in the market for large multiple dwelling units (MDUs).

ICS and its local telephone service, Active-Tel, will be a distributor for selected MCI services. In addition to the investment, MCI will provide ICS with technical assistance.

"We are very fortunate that our rapid growth in the private telephone and cable industry has attracted such high-level partners," said Interactive co-chairman Gary Adelson. "Interactive has already established itself as the premier provider of private cable services to the MDU industry. With MCI, we are well on our way to becoming the leader in telephone and technology as well." Interactive co-chairman Andrew Adelson adds, "The technology and financial acumen of MCI affords us the opportunity to continue to bring the most advanced telephone and cable services to our customers -- residents of multi-unit dwellings -- providing an alternative and choice where one never existed." Interactive Cable Systems is a private communications company providing telephone, cable and security services to MDU owners enabling them with powerful revenue and marketing tools, and offers value-added options at lower cost to residents. The company has rapidly evolved from a provider of telephone and cable services to a respected player at the forefront of integrated, consumer-oriented interactive communications and entertainment. Having carved a niche as the cable and telephone service provider in the rapidly-expanding MDU market, Interactive is well-poised for continued and dramatic growth.

CONTACT: Interactive Cable Systems Inc., Los Angeles
Todd Greene, 310/789-4860 07:03 ET OCT 05, 1994

10/5/94 BUSWK (No Page)

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----- INDEX REFERENCES -----

COMPANY (TICKER): MCI COMMUNICATIONS CORP. (MCIC)

NEWS SUBJECT: BUSINESS WIRE; MERGERS & ACQUISITIONS; WORLD EQUITY INDEX
(BW TNM WEI)

MARKET SECTOR: CONSUMER CYCLICAL; UTILITIES (CYC UTI)

INDUSTRY: BROADCASTING; LONG DISTANCE TELEPHONE PROVIDERS; MEDIA;
REGIONAL TELEPHONE SYSTEMS; TELEPHONE SYSTEMS (BRD LDS MED RTL TLS)

REGION: CALIFORNIA; DISTRICT OF COLUMBIA; NORTH AMERICA; PACIFIC RIM;
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9/18/94 ATLNTAJC H45			ALLNEWS
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Atlanta Constitution
Copyright 1994 The Atlanta Journal-Constitution

Sunday, September 18, 1994

HOMEFINDER

APARTMENT LIFE Some apartment complexes have own cable TV systems
Jonathan Ringel FOR THE JOURNAL-CONSTITUTION

Go channel surfing at the Carousel Apartments in Marietta and you will likely see something you have never seen before: the YEP Club channel, devoted to information about the 446-unit complex and its supervised after-school "Youth Entertainment Program."

It looks like your basic community access channel on cable TV - silent graphi cs against changing color screens - but it announces safety classes, community picnics and the dates rent is due, instead of city council meetings and voter registration deadlines.

The YEP Club channel is an example of a service provided by Atlanta's private cable TV industry, which occupies a sizable niche in the city's huge apartment market. Private systems are available to nearly 30,000 units in the eight-county area served by franchise carriers Wometco Cable TV and GCTV, which together are wired to more than 200,000 apartment units, according to a Wometco vice president.

County and city governments grant a company, such as Wometco and GCTV, exclusive rights to provide cable service to the public - that's called a franchise. But when private operators build a minicable system within the private boundaries of the apartment complex, they don't violate agreements between franchise companies and city or county governments.

Miniature systems

Most of the private operators have built miniature cable systems - called SMATV, for Satellite Master Antenna Television - by wiring

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each apartment unit to a bank of on-site satellite dishes and antennae.

Being self-contained has benefits, such as Carousel's ability to have the YEP Club channel. The channel originates out of a keyboard in the resident manager's office and currently displays messages about YEP Club events and apartment rent, as well as classified advertisements that the property sells for \$8 per week.

"The YEP Club channel will eventually be operated by the children," said Bryan Rader, general manager at Homecorp Services, which manages Carousel. He envisions children producing a "6 o'clock news, with stories such as 'Timmy, age 6, won a relay race at school,' " on a camcorder and running it on the closed-circuit channel.

Private operators boast that all their systems can be designed to serve the specialized interests of the apartment residents. "Normally residents have a lot of similarities," said Ted Dumas, co-owner and chief operating officer of South Star Communications and Hawk SMATV, which together are wired to 3,000 apartments in the Atlanta area.

At Carousel, where 600 children live, South Star offers the Cartoon Network. At West Paces Crossing Apartments in Buckhead, where more young professionals tend to live, Dumas has just added the business-news channel CNBC to his Hawk system.

Yearly surveys allow Dumas to focus on the channels that his subscribers will watch. "Most people watch no more than 10 to 12 channels" in significant amounts, he said.

Susan Adams, vice president for special markets at Wometco Cable TV, agrees with Dumas' statistics but not his interpretation of them: "We have learned that that eight to 10 average is different for each person," she said. "You can bet there will be a channel they [residents] watch on our service that they [private operators] don't carry."

Private vs. franchise cable

What's the cost difference for the consumer? South Star charges \$14.95 per month for basic cable service at Carousel Apartments,

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which includes 13 cable channels, plus the over-the-air local broadcast stations. Wometco's service in Cobb County, where Carousel is located, costs \$23.53 per month for 24 cable networks plus over-the-air channels and a host of preview guides, home shopping club, and public access channels.

Wometco's per-cable-channel price (98 cents) is actually less expensive than South Star's (\$1.15), but South Star's total basic charge is \$8.58 less per month.

Apartment owners with private cable systems also consider them a revenue generator. Many private operators offer apartment owners a percentage of the revenue made from cable TV services or an upfront fee to give the private operator the exclusive business.

"The revenue sharing goes to our bottom line," said Kim Watkins, executive vice president of Wilwat Properties, which owns and manages 3,000 apartment units in the area and uses Wireless Cable of Atlanta, which is available to about 13,000 apartment units in the area.

As far as the limited channel lineup is concerned, Watkins said, "We get one call a month from someone saying 'I want GCTV.' "

But Steven Werntz, a financial analyst who has subscribed to GCTV in the past but now receives Hawk SMATV in his apartment at West Paces Crossing, puts it this way: "I have mixed feelings about it. . . . For the money, I like it better, . . . but I don't get A&E [Arts & Entertainment channel], which I used to like."

----- INDEX REFERENCES -----

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HEADLINE: Apartment owners' rights and cable television; Legal Issues

BYLINE: Hanback, Christopher B.

BODY:

Cable television has become a standard part of the homes and daily lives of most Americans. Yet despite its prevalence, many apartment complexes across the country are not yet wired for cable. These potential markets have not gone unnoticed by both the local "franchise" cable companies and the so-called "satellite" cable companies.

Franchise cable companies are businesses which have been granted the right by governments (usually exclusive in a particular geographic area) to provide specified cable service to customers over cable lines laid underground or along utility poles. Satellite cable companies provide service from antenna dishes placed on the grounds of apartments and other properties to receive selected programming directly from space satellites.

Franchise cable operators assert that under state, local, and perhaps federal law, they have the right to force apartment owners and managers to permit the cable companies to wire their buildings to provide service to tenants.

Such cable companies attempt to require owners and managers to sign one-page agreements granting easements in perpetuity in order to obtain cable service. These easements generally would permit the cable operator to come on site, whenever it chooses, and install wiring and equipment at locations and in a manner determined by the cable operator and not the owner.

In New York City, certain creative satellite cable companies are threatening owners and asserting a legal right to wire apartment buildings, even though such companies have not been granted a franchise by the city government.

Owners' options

Owners and managers of apartments have rights, too. In the competitive apartment market, the ability to provide tenants with reliable cable service, including the locally desirable sports and other premium channels, is a significant marketing tool.

In addition, building aesthetics are an important aspect of attracting and retaining tenants. The owner must be able to control the location and appearance of cable equipment and wiring in hallways, in apartment units, on the exterior and roofs of buildings and on the grounds of the property.

Certain apartment owners in Virginia and the Midwest have reportedly decided to ignore the cable operators altogether and to provide cable service directly to tenants. In such cases the owners are able to collect the cable television revenues themselves.

Contract negotiations

Anyone who has negotiated contracts for owners and managers with cable companies around the country knows that many satellite companies, and more rarely a franchise company, are willing to share cable revenues with an owner, in return for permitting the cable company's entry into a complex.

Attempting to obtain a share of the potential revenues from cable television service to tenants is not, however, necessarily the goal of owners in selecting and negotiating contracts with cable television companies for an apartment property. Owners may be more concerned with obtaining assurances of proper installation and maintenance of cable television service. Indeed, it is likely that the owner or property manager is going to be the only party in a position to look out for the interests of tenants in receiving good service.

Many cable television companies, both local operations and subsidiaries of the large national companies, are willing to negotiate the terms of contracts. There is always the initial period of saber rattling and delay during which the owner is advised that he or she must sign the "standard contract." In the case of negotiations with franchise companies, this may be followed by the mandatory threat to sue the owner under the local cable franchise statute to force entry.

It is obviously much more cost effective for the cable operator to enter into a balanced and fair agreement with the owner than to commence legal proceedings to force entry. Such actions may take months or years to conclude and, even if successful, leave an angry and uncooperative owner rather than one interested in providing first-quality cable service for residents.

In the last few years, we have worked on in excess of 25 cable television contracts for apartment complexes around the United States, and in most instances the cable company agreed to negotiate a contract which protected the rights and interests of both the cable company and the owner. It is often a slow process because the bureaucracies of both large and small cable companies are not set up to negotiate contracts with owners.

In only one instance in the Northeast did a cable company refuse to negotiate and instead file a legal action to force the owner to permit wiring of its building for cable service.

Points of negotiation

In negotiating a cable contract there are many legal and business issues

which must be addressed beyond requiring the owner's or manager's approval of the location and aesthetics of the cable wiring and equipment.

One of these issues is whether the cable companies should be granted a "license" rather than an "easement." The cable companies must have the right to enter on the property and perform necessary services during the length of the contract. This right can be given to the cable company with the "contract right" of a "license," rather than the "property right" of an "easement."

The cable company is providing service--it has no need to become an owner of an interest in the owner's land and buildings. Property rights cloud titles, and lender approval may be required to grant a cable company an easement. In addition, easements create valuation issues in the event of the sale of the property as well as legal complications in the event of bankruptcy.

Further, the contract should clearly specify the channels to be provided and the service and performance standards which the cable operator will meet.

In the case of contracts with satellite companies, only the contract governs performance standards. In the case of franchise companies, owners and tenants may be very disappointed if they rely on the local government cable television office to force their operator to live up to the service standards set forth in the franchise agreement and statute.

A further consideration is the length of the agreement. Contracts for the term of a cable company's franchise, as renewed, should not be accepted, as the term could extend to 30 years or more.

The cable operator needs a long enough term to recoup its capital costs in wiring the buildings. However, with the likelihood of new technologies (fiber optics and satellite) and new cable providers (the telephone companies) entering the marketplace in the next decade, there is no advantage to owners, managers, or residents in being locked into current cable providers or old technology.

In addition, it is crucial that the contract explicitly set forth deficiencies by the cable company, which would constitute a breach of the agreement. It is unreasonable to hold a cable company liable for isolated outages as a result of storm damage or power failure. Nevertheless, one must guard against standard "force majeure" provisions which could negate the cable company's obligations to provide continuing service.

In some instances it may be appropriate to specify in detail the number, extent, and length of outages that will be acceptable within a period of time.

Cure provisions must be carefully crafted to enable the cable company to make repairs, but not to enable it to be continually in noncompliance without the fear of any meaningful consequences. If a cable company does not provide satisfactory service, the contract should provide clear and objective criteria to permit termination of the agreement.

Other non-service-related breaches should also be considered. For example, insolvency, bankruptcy, or a transfer in the ownership of a cable system may cause a reduction in service.

Consideration also should be given to bulk-billing arrangements for basic cable service provided to residents as part of the fringe benefits of living in a particular apartment complex. It may be possible to negotiate free cable service for certain employee-occupied units or common areas in an apartment complex as part of an overall financial arrangement with a cable operator.

In addition, some cable companies will provide cameras at entrances to a complex to aid in building security. The cameras allow a resident to see a potential visitor on his television through the cable system, before he or she buzzes to permit the visitor to enter the building.

Finally, the indemnification language should be crafted to protect the owner from both damages to property and personal injury during the construction phase as well as during ongoing operations, servicing, and repairs.

The type of agreement that can be negotiated will depend on the circumstances of each geographic location, the particular apartment complex, and the potential cable companies and services available. Owners and managers should not agree to execute "boilerplate" cable company contracts. The crucial point is to not sign away valuable property rights and marketing advantages just to obtain cable television service.

Christopher B. Hanback is a partner in Jackson & Campbell, P.C., a Washington, D.C. law firm. He represents property management companies nationwide and is a member of the firm's Property and Asset Management Practice Group.

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